

CENTRAL CONFIDENTIAL INFORMATION

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Austria/USSR

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New USIA Policy for Austrian Electrical Industry

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1. Immediate Sale of All Stored Electrical Equipment.

25X1 Effective immediately, all electrical equipment stored in the Soviet-controlled Siemens plants is to be put on the market for whatever price it will bring. This order also applies to current production, which is to be turned over on the Austrian market as rapidly as possible. The only exception to these orders concerns articles which are manufactured exclusively for Soviet use. [REDACTED]

25X1 Comment: Such as the generating equipment [REDACTED] Difficulties encountered in selling USIA-manufactured goods must be overcome by any means at hand. Reluctance on the part of Austrian customers to buy goods from USIA will be obviated by placing such goods in the hands of bona fide Austrian firms. To this end, all persons present at the meeting were enjoined to broaden their relationships with companies which might offer non-USIA-tainted outlets for 25X1 [REDACTED] USIA-manufactured products.

25X1 [REDACTED] USIA

25X1 had stockpiled approximately eight million schillings worth of electrical goods in the USIA Siemens factories, which it was saving either to export quickly to the USSR in the event of an Austrian State Treaty, or to barter on the Austrian market as a bloc against the European Recovery Program, should the London Conference fail. Heretofore, when sales have been made, it has been for prices considerably in excess of legal Austrian ceilings. But despite the great need of Austrian consumers for electrical wares, these goods have not moved on the local markets, partly because of a silent boycott by buyers, but primarily because of growing cash shortages in Austria.)

25X1 As a further measure to support this new selling policy, Slavinsky directed that production and selling costs be recalculated. ( [REDACTED] Comment: Sales personnel from the USIA-controlled [REDACTED] factories point out that a review of costs and prices would be meaningless in the face of the irregular and irrational production methods employed by the Soviets.)

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CENTRAL INTELLIGENCE AGENCY

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2. Raw Material Difficulties.

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Slavinsky stressed that everything possible must be done to alleviate the "catastrophic" shortage of raw materials, which, since the suspension of copper deliveries from Yugoslavia, threatens the entire future electrical production. He cited several examples of such shortages, mentioning specifically that only 35 kg of copper was on hand in the [redacted] Lengerthstrasse factory. He mentioned also that the Soviets were aware of a recent ordinance issued by the Austrian Government, according to which no more raw materials could be sold to USIA enterprises. On the basis of this order, Slavinsky said, Alpine-Montan had refused to deliver to USIA rolling mills the iron ingots needed for the production of sheet metal, unless JSIA provided scrap metal in compensation. Because this sheet metal is indispensable in electrical manufacture, and despite the fact that scrap is considered by USIA as vital war material (fliegewichtiges Material), scrap from the bombed portions of the Lengerthstrasse plant will be supplied to Alpine, but in the smallest possible quantities.

3. Schmidhuette Krems.

Slavinsky stated incidentally that work has been halted on the Martin furnace being built at the Schmidhuette Krems. In this connection, he emphasized that, on an order from Moscow, the Soviets in Austria have discontinued all investments which concern installations not readily transportable. In the future, only such construction and repair work will be undertaken as pertains to machines and equipment which can be moved fairly easily.

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